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LOCAL AUDIT & FINANCE DIV.

TOWNSHIP OF LOGAN  
Mason County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Logan	<b>County</b> Mason
<b>Audit Date</b> March 31, 2005	<b>Opinion Date</b> May 12, 2005	<b>Date Accountant Report Submitted to State:</b> July 14, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |                                                                     |                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.                                                                                                                                                                                                                              |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).                                                                                                                                                                                                       |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).                                                                                                                                                                                                                 |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.                                                                                                                                              |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).                                                                                                                                              |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.                                                                                                                                                                                                                         |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).                                                                                                                                                                                                          |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).                                                                                                                                                                                                                                 |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF LOGAN  
Mason County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

May 12, 2005

To the Township Board  
Township of Logan  
Mason County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Logan, Mason County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Logan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Logan, Mason County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF LOGAN  
Mason County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Logan covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$61,645.50 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$88,266.61 from governmental activities. Governmental activities had a \$28,697.38 decrease in net assets with major road improvements of \$68,280.25.

Taxable value increased by approximately \$139,450.00

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Cemetery Perpetual Care Fund and the Current Tax Collection Fund.

TOWNSHIP OF LOGAN  
Mason County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year we paid \$68,280.25 for road improvements.

Our cash position remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$68,280.25.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 20% of our income. We continue to grow at a 10% rate in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 231-898-2172.

TOWNSHIP OF LOGAN  
Mason County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	53 627 51
Taxes receivable	<u>4 868 74</u>
Total Current Assets	<u>58 496 25</u>
NON-CURRENT ASSETS:	
Capital Assets	7 433 36
Less: Accumulated Depreciation	<u>(4 284 11)</u>
Total Non-current Assets	<u>3 149 25</u>
TOTAL ASSETS	<u><u>61 645 50</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	3 149 25
Restricted	5 423 12
Unrestricted	<u>53 073 13</u>
Total Net Assets	<u>61 645 50</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>61 645 50</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LOGAN  
Mason County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	1 000 00	-	(1 000 00)
General government	30 912 60	6 464 11	(24 448 49)
Public safety	13 287 10	-	(13 287 10)
Public works	68 280 25	12 000 00	(56 280 25)
Other	3 484 04	-	(3 484 04)
Total Governmental Activities	<u>116 963 99</u>	<u>18 464 11</u>	<u>(98 499 88)</u>
General Revenues:			
Property taxes			42 800 02
State revenue sharing			23 165 21
Interest			1 188 27
Miscellaneous			<u>2 649 00</u>
Total General Revenues			<u>69 802 50</u>
Change in net assets			(28 697 38)
Net assets, beginning of year			<u>90 342 88</u>
Net Assets, End of Year			<u>61 645 50</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF LOGAN  
Mason County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2005

	<u>General</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	48 200 33	5 423 12	53 623 45
Taxes receivable	4 868 74	-	4 868 74
Due from other funds	4 06	-	4 06
Total Assets	<u>53 073 13</u>	<u>5 423 12</u>	<u>58 496 25</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Reserved	-	5 423 12	5 423 12
Unreserved:			
Undesignated	53 073 13	-	53 073 13
Total fund equity	<u>53 073 13</u>	<u>5 423 12</u>	<u>58 496 25</u>
Total Liabilities and Fund Equity	<u>53 073 13</u>	<u>5 423 12</u>	<u>58 496 25</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LOGAN  
Mason County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	58 496 25
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	7 433 36
Accumulated depreciation	<u>(4 284 11)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>61 645 50</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LOGAN  
Mason County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2005

	<u>General</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
Revenues:			
Property taxes	42 800 02	-	42 800 02
State revenue sharing	23 165 21	-	23 165 21
Charges for services – PTAF	4 864 11	-	4 864 11
Charges for services – other	12 200 00	1 400 00	13 600 00
Interest	1 107 20	81 07	1 188 27
Miscellaneous	2 649 00	-	2 649 00
Total revenues	<u>86 785 54</u>	<u>1 481 07</u>	<u>88 266 61</u>
Expenditures:			
Legislative:			
Township Board	1 000 00	-	1 000 00
General government:			
Supervisor	3 000 00	-	3 000 00
Elections	874 36	-	874 36
Assessor	12 962 57	-	12 962 57
Clerk	3 450 89	-	3 450 89
Board of Review	375 00	-	375 00
Treasurer	5 174 25	-	5 174 25
Building and grounds	2 028 85	-	2 028 85
Cemetery	1 253 70	-	1 253 70
Unallocated	1 405 95	-	1 405 95
Public safety:			
Fire protection	13 287 10	-	13 287 10
Public works:			
Highways and streets	68 280 25	-	68 280 25
Other:			
Insurance	2 719 00	-	2 719 00
Payroll taxes	765 04	-	765 04
Total expenditures	<u>116 576 96</u>	<u>-</u>	<u>116 576 96</u>
Excess (deficiency) of revenues over expenditures	(29 791 42)	1 481 07	(28 310 35)
Fund balances, April 1	<u>82 864 55</u>	<u>3 942 05</u>	<u>86 806 60</u>
Fund Balances, March 31	<u><u>53 073 13</u></u>	<u><u>5 423 12</u></u>	<u><u>58 496 25</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LOGAN  
Mason County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (28 310 35)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(387 03)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>(28 697 38)</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LOGAN  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Logan, Mason County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Logan. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF LOGAN  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 2.7439 mills, and the taxable value was \$15,600,585.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF LOGAN  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	5-10 years
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Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$3,149.25.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF LOGAN  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>53 627 51</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.



TOWNSHIP OF LOGAN  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	67 524 11
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u><u>67 524 11</u></u>

The Township did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	3 099 25	-	-	3 099 25
Equipment	<u>4 334 11</u>	<u>-</u>	<u>-</u>	<u>4 334 11</u>
Total	7 433 36	-	-	7 433 36
Accumulated Depreciation	<u>(3 897 08)</u>	<u>(387 03)</u>	<u>-</u>	<u>(4 284 11)</u>
Net Capital Assets	<u><u>3 536 28</u></u>	<u><u>(387 03)</u></u>	<u>-</u>	<u><u>3 149 25</u></u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Logan does not issue building permits.

TOWNSHIP OF LOGAN  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	4 06	Current Tax Collection	4 06
Total	<u>4 06</u>	Total	<u>4 06</u>

Note 10 – Budget Variances

During the fiscal year ended March 31, 2005, the Township incurred the following budget variances:

<u>Fund/Activity</u>	<u>Budgeted Amount</u>	<u>Actual Amount</u>	<u>Budget Variance</u>
General Fund:			
Building and grounds	800 00	2 028 85	1 228 85
Highways and streets	60 000 00	68 280 25	8 280 25

TOWNSHIP OF LOGAN  
Mason County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	47 000 00	47 000 00	42 800 02	(4 199 98)
State revenue sharing	20 000 00	20 000 00	23 165 21	3 165 21
Charges for services:				
Property tax administration	4 600 00	4 600 00	4 864 11	264 11
Other	13 000 00	13 000 00	12 200 00	(800 00)
Interest	500 00	500 00	1 107 20	607 20
Miscellaneous	-	-	2 649 00	2 649 00
Total revenues	<u>85 100 00</u>	<u>85 100 00</u>	<u>86 785 54</u>	<u>1 685 54</u>
Expenditures:				
Legislative:				
Township Board	1 500 00	1 500 00	1 000 00	(500 00)
General government:				
Supervisor	3 500 00	3 500 00	3 000 00	(500 00)
Elections	2 000 00	2 000 00	874 36	(1 125 64)
Assessor	14 000 00	14 000 00	12 962 57	(1 037 43)
Clerk	6 000 00	6 000 00	3 450 89	(2 549 11)
Board of Review	500 00	500 00	375 00	(125 00)
Treasurer	7 000 00	7 000 00	5 174 25	(1 825 75)
Building and grounds	800 00	800 00	2 028 85	1 228 85
Cemetery	3 000 00	3 000 00	1 253 70	(1 746 30)
Unallocated	2 300 00	2 300 00	1 405 95	(894 05)
Public safety:				
Fire protection	15 500 00	15 500 00	13 287 10	(2 212 90)
Public works:				
Highways and streets	60 000 00	60 000 00	68 280 25	8 280 25
Other:				
Insurance	3 000 00	3 000 00	2 719 00	(281 00)
Payroll taxes	1 000 00	1 000 00	765 04	(234 96)
Total expenditures	<u>120 100 00</u>	<u>120 100 00</u>	<u>116 576 96</u>	<u>(3 523 04)</u>
Excess (deficiency) of revenues over expenditures	(35 000 00)	(35 000 00)	(29 791 42)	5 208 58
Fund balance, April 1	<u>35 000 00</u>	<u>35 000 00</u>	<u>82 864 55</u>	<u>47 864 55</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>53 073 13</u>	<u>53 073 13</u>

TOWNSHIP OF LOGAN  
Mason County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2005

Township Board:	
Salaries	<u>1 000 00</u>
Supervisor:	
Salary	<u>3 000 00</u>
Elections:	
Wages	595 25
Supplies	<u>279 11</u>
	<u>874 36</u>
Assessor:	
Salary	6 200 00
Office supplies	<u>6 762 57</u>
	<u>12 962 57</u>
Clerk:	
Salary	3 000 00
Office supplies	<u>450 89</u>
	<u>3 450 89</u>
Board of Review:	
Salary	<u>375 00</u>
Treasurer:	
Salary	3 000 00
Office supplies	1 311 30
Contracted services	<u>862 95</u>
	<u>5 174 25</u>
Building and grounds:	
Telephone	491 70
Utilities	937 15
Community hall	<u>600 00</u>
	<u>2 028 85</u>
Cemetery:	
Maintenance	1 101 67
Utilities	<u>152 03</u>
	<u>1 253 70</u>
Unallocated:	
Memberships and dues	326 84
Contracted services	800 00
Miscellaneous	<u>279 11</u>
	<u>1 405 95</u>
Fire Protection	<u>13 287 10</u>
Highways and streets:	
Repairs and maintenance	<u>68 280 25</u>
Insurance	<u>2 719 00</u>
Payroll taxes	<u>765 04</u>
Total Expenditures	<u><u>116 576 96</u></u>

TOWNSHIP OF LOGAN  
Mason County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>3 96</u>	<u>421 477 73</u>	<u>421 477 63</u>	<u>4 06</u>
<u>Liabilities</u>				
Due to other funds	3 96	42 813 39	42 813 29	4 06
Due to other taxing units	<u>-</u>	<u>378 664 34</u>	<u>378 664 34</u>	<u>-</u>
Total Liabilities	<u>3 96</u>	<u>421 477 73</u>	<u>421 477 63</u>	<u>4 06</u>

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 12, 2005

To the Township Board  
Township of Logan  
Mason County, Michigan

We have audited the financial statements of the Township of Logan for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Logan in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Logan  
Mason County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Logan began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board  
Township of Logan  
Mason County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants